

INITIAL STATEMENT OF REASONS

Proposed Amendments to OPEB Prefunding Regulations, Section 599.550

1. Description of Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is intended to Address:

CalPERS currently administers the Annuitant's Health Care Coverage Fund, (defined in existing regulations as the Prefunding Plan and sometimes referred to as the California Employers' Retiree Benefit Trust fund, or CERBT for short) for the purpose of employer prefunding of retiree health benefits and other post employment benefits (OPEB).

Prior to January 1, 2008, only employers who participated in the Public Employee Medical and Hospitalization Care Act (PEMHCA) were eligible to participate in the CERBT to prefund OPEB for their employees. Effective January 1, 2008, Stats. 2007, Ch. 318 (AB544), expanded the definition of "employer" to allow non-PEMHCA employers (who otherwise are eligible to contract for PEMHCA benefits for their employees) to participate in the CERBT.

The proposed amendments to the regulations expand the definition of employer to reflect the statutory change and thereby allow qualified California public agency employers to contract with CalPERS to prefund OPEB through the CERBT fund.

The proposed amendments also indicate that the Prefunding Plan is sometimes referred to as the California Employers' Retiree Benefit Trust or CERBT.

2. Specific Purpose:

The proposed regulation changes are intended to meet the requirements of Government Code Sections 22940 and 22942, and California Code of Regulations, Title 2, § 599.550.

3. Necessity:

The proposed changes to the regulations are necessary so that California Code of Regulations, Title 2, § 599.550 reflects the changes in statute created by Stats. 2007, Ch. 318 (AB 554), effective January 1, 2008, which expanded the definition of "employer" to allow non-PEMHCA employers (who otherwise are eligible to contract for PEMHCA benefits for their employees) to participate in the CERBT.

4. Technical, Theoretical and/or Empirical Studies, Reports or Documents:

Not applicable.

5. Alternatives to the Regulatory Action and CalPERS Reasons for Rejecting Those Alternatives:

CalPERS has considered alternatives to this proposal, and has determined that there is no more effective way to carry out its purpose that would be less burdensome.

6. Alternatives to the Regulatory Action that Would Lessen and Adverse Impact on Small Businesses:

The proposed action has no cost impact on small businesses because it applies only to public agencies.